

POWER AND WATER RESOURCES POOLING AUTHORITY

c/o Banta-Carbona Irrigation District – Administration
PO Box 299, Tracy CA 95378-0299
(209) 835-4670 voice (209) 835-2009 fax

Debbie R. Dietz
Rates Manager
Sierra Nevada Customer Service Region
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630-4710

RE: Proposed Power and Transmission Rates

Dear Ms. Dietz,

The Power and Water Resources Pooling Authority (Authority), representing 14 of Western's customers, and 7 percent of the Base Resources allocation, appreciates this opportunity to comment on the 2005 Proposed Rate Adjustment. While we commend Western and its staff for developing an excellent rate proposal and appreciate the comprehensive approach taken, we have a significant concern where non-direct connect customers are not treated equitably under Western's proposal.

When Western was considering its post-2004 operational alternatives, representatives of the Authority prepared comments for a Western-sponsored public forum specifically recommending that Western evaluate control area options with alternative entities such as SMUD or BPA. To our recollection, those comments were the only comments made in the record leading to the present sub-control area arrangement with SMUD. Our comments were made, however, with the assurance that Western would explore ways to spread the benefits and cost-savings associated with avoidance of CAISO grid management charges to all Western customers – not just those directly connected to Western's system – and would seek ways to avoid or mitigate the stacking ('pancaking') of transmission rates that would otherwise occur.

Western's transmission rate proposal would charge non-directly connected customers (including most of the Authority's loads) the fully embedded cost of Western's transmission system, *plus* the full pass-through cost of third-party transmission. The Authority thus would be subject to stacking of transmission charges; paying both Western's fully embedded transmission rate and the California Independent System Operator's (ISO) fully embedded rate for all Federal Power deliveries -- effectively paying twice for transmission service. The Authority also faces the prospect of paying grid management costs associated with two separate control areas (ISO and SMUD). This is not only inequitable, but is not in keeping with earlier proposals by Western, and indeed may not meet the intent of Congress in authorizing the CVP.

We recommend that Western modify its proposal by either: 1) rolling-in the ISO transmission charges to develop the total CVP transmission revenue requirements applicable to all users of Western's transmission system, including customers that are directly connected to the Western

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transmission system, which would result in all Western customers paying the same transmission rate; or 2) exclude Western's transmission revenue requirement within the Base Resource revenue requirement for non-direct connected customers which would result in non-direct connect customers having to pay only the ISO transmission charge and not being subjected to inequitable rate stacking for Federal Power deliveries.

We trust Western will follow-through with its earlier assurances that it will fully mitigate the otherwise rate stacking imbedded with its proposal.

Our only other comment concerns the wording of Western's proposal to pass-through rates on a customer-specific basis for Custom Product Power. We agree that the pass-through is the appropriate methodology. However, we have concerns with the following text in the proposed rate notice:

Custom product power funded in advance that is surplus to the load requirements of the customer(s) will be sold. If the customer(s) fails to have an account available to receive the proceeds from the sale of surplus custom product power, the proceeds are **forfeited to Western** and will be applied to the custom product power purchase cost for the customer(s). [Emphasis added.]

We believe the term "forfeited" is an unfortunate use of words which is unnecessary in the circumstances. We suggest it would be more appropriate simply to say that the proceeds will be applied to future custom product purchases on behalf of the customer(s).

Thank you for the opportunity to comment on Western's 2005 rate proposal.

Sincerely,

David Weisenberger

Chairman

Power and Water Resources Pooling Authority

Representing:

Arvin-Edison Water Storage District

Byron-Bethany Irrigation District

Glenn-Colusa Irrigation District

Lower Tule River Irrigation District

Provident Irrigation District

Santa Clara Valley Water District

West Stanislaus Irrigation District

The West Side Irrigation District

Banta-Carbona Irrigation District

Cawelo Water District

James Irrigation District

Princeton-Codora-Glenn Irrigation District

Reclamation District 108

Sonoma County Water Agency

Westlands Water District